The Progressive Review

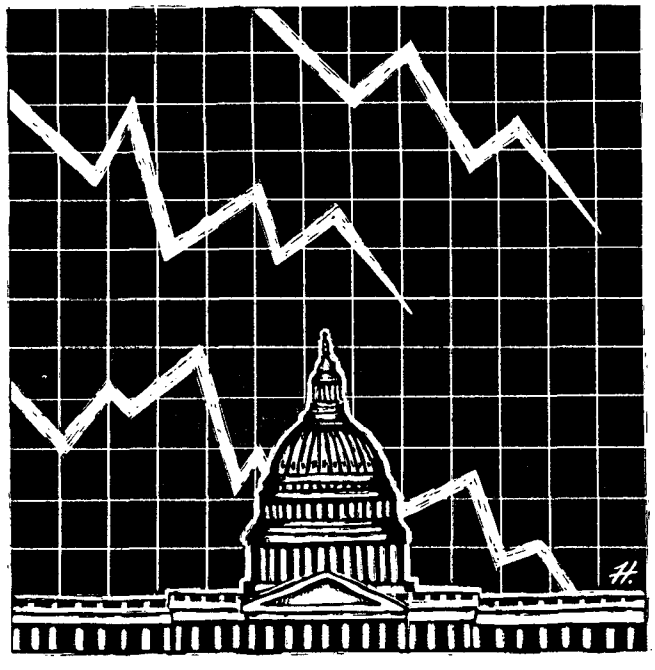
Nr 268 *January 1988*

Our hidden economies

Over the coming months we are likely to be overwhelmed with plans and promises for improving the American economy. The candidates will offer proposals for a "dynamic," "productive" and/or "competitive" economy, and they will be assisted by correspondents who will make a remarkable effort at the pretense of understanding what it is the candidates are talking about.

There is probably little virtue to be gained and much time to be wasted by the general public emulating the scribes. For one thing, it is not clear that the candidates, for the most part, know what they are talking about. And for another, what they are not talking about is more interesting and more important.

So for a change of pace, let's split tacks with the candidates and the media and consider a few of America's hidden economies, some offering problems and others potential, but all deserving more comment and consideration than has been the case to date.



The Entertainment Economy

While most are aware that our economy has shifted dramatically from the age of steel mills and manufacturing, we are far less aware of what has replaced these stand-bys. One of the most important is what might be called the entertainment economy. Harper's Magazine reports that entertainment ranks second among all US industries in export earnings. In a study done for the new sports business magazine, Sports Inc., Wharton Econometrics Forecasting Associates finds that the total value of output and services of the sports industry for last year was $47.2 billion. To give an idea of what this figure means, the total for motor vehicles and equipment was only $2.3 billion more. What Sports Inc. calls the Gross National Sports Product is larger than the product of such industries as petroleum products & services, primary metals, hotels, personal services, air transportation, rubber, lumber & wood, textiles, apparel, or security & commodity brokerage. In fact, although the Wharton people didn't add it up this way, the entertainment industry in total (including sports, recreation, amusement, radio & TV, and motion pictures) is America's tenth largest industry.

We are the Japanese of fun. Unfortunately, this conflicts not only with our traditional

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view of what our economy is about but with our moral view as well. Thus a major American economic asset goes unmentioned in policy discussions and debates. Presidential candidates go to factory gates and defense contractors to talk economic growth; perhaps we need one who will go to Disney World, Hollywood and Bourbon Street.

Although politicians and the media are afraid to demonstrate lack of seriousness by treating the entertainment industry seriously, the fact is that even individual participants in the business can be significant economic generators. Regardies Magazine in Washington, DC, for example, did a study of what Patrick Ewing had produced for Georgetown University in return for his scholarship. Adding in everything from the obvious (ticket sales) to the not so obvious (a big jump in application fees to GU), Regardies found Ewing returning the university a profit many times over cost. No tank or missile can make this claim.

Consider a few other examples. According to the WEFA anaylsis, bowling contributes roughly half as much to the American economy as does local mass transit. Health club memberships do even better. Amusement & recreation is a bigger industry than textiles or apparel or coal mining.

Even if politicians don't want to address such realities, sometime the American public's actions speak loudly enough. Two days after Christmas, in the midst of a major blizzard, Colorado highways and the Denver airport were closed. The Denver Broncos game went on as scheduled.

The Trader Economy

It is said that America has moved to a service economy. There is truth in this but the two largest industries in terms of contribution to the gross national product, according to the WEFA study, are real estate and retail trade. Yet when was the last time you heard a national politician talk about retail trade policy -- or for that matter, a housing policy?

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We still don't have a good name for unmarried people living together. The Census Bureau's POSSLQ (Persons of Opposite Sex Sharing Living Quarters) won't fly and terms like boyfriend, consort, swain are clearly anachronistic. Columnist Herb Caen has suggested **ummer** as in a parent's introduction: "This is Roger, my daughter's... um... er" but the best idea we've seen comes from another columnist Richard Lederer: **covivant**, from the Latin **co** and the French **vivant**. Says Lederer, the word "captures the intimacy of **lover**, the **accuracy** of roommate and the **cuteness** of ummer.

The Underground Economy

One estimate is that Ameica's underground economy produces about $380 billion a year. This includes illegal operations such as drugs, prostituion, numbers and other criminal activity, various forms of tax dodging and unreported cash-based transactions. Hazel Henderson, author of 'Creative Alternative Futures,' puts the drug trade at $45 million alone, almost as great as the sports and auto industries. Writing in the newsletter, Green Revolution, Henderson notes:

"Business Week points out rightly that this rapidly-growing subterranean economy not only discredits much traditional macro-economic analysis, but also accounts for much of its large error factor in measuring GNP performance, levels of total employment, rates of saving, investment and productivity -- all of which are significantly understated."

Let us imagine, for example, that the war on drugs was actually successful. Might not this cause a recession? What would be the effect on urban ghettos, where drug dealing is a major industry and where teenagers can earn as much in a few minutes as standard service workers earn in a week? In fact, on a smaller scale, reducing the drug economy raises some of the same conversion problems faced by those who want us to end our reliance on defense spending. But while economic conversion from the war machine is beginning to creep into mainstream debate, nobody dares to raise the question of economic conversion from the drug economy, except for a few who take the bleak view that the drug trade is an intentional, if surreptitious, urban social and economic program of the government.

There are more benign issues centering on the underground economy. For example, to what extent does over-regulation of small entrepreneurship prevent the growth of naturally occurring industries? Washington, DC, for example, has over the past few years lost thousands of jobs through the simple of

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expedient of over-regulating (or over-enforcement of the laws regarding) street vendors, gypsy cabs, artists studios, interior decorators, home occupations and is now considering similar draconian measures against bicycle couriers. It would appear that every time someone thinks of a good way to make money outside of working for a major corporation, a city councilmember comes up with a law to make it as difficult as possible. The result is a reduction in employment, more 'illegal' activity and a growing tendency towards concentration in the particular industry involved, as only larger firms are equipped to deal with the regulatory morass. Ironically, liberal legislators have been as culpable in this as their conservative peers, failing to realize the social and economic impact of their decisions. The result is that the economic space between being homeless and being a junior partner is becoming slowly emptied. Employment choices are being limited; innovation and entreprenurship are being penalized; and workstyles are being homogenized. That so many choose to ignore the rules and drive their gypsy cabs or run their illegal business from their homes is a tribute to the staying power of American economic initiative, but at some point we should start discussing why this has to be so.

The Counter-Economy

Hazel Henderson writes of the "Counter-Economy" --the non-monetarized economy, as being "still invisible to most economists and policy makers. It is based on *** altruism, volunteering, community and family cohesiveness, cooperation, sharing, respect

To DC Gazette Readers

E. B. White once said that he was increasingly getting the feeling when he wrote something that he had written it before, only better. Fueled by that feeling I stopped putting out the DC Gazette a few years ago.

John Cage, the experimental composer, once said that whenever he did anything new, all people wanted was for him to keep doing it over and over again. Fueled by that expectation, I revived the DC Gazette last year.

I was right the first time. It has been over 21 years since the Gazette first appeared as the Capitol East Gazette and it has been over 30 years since I covered my first DC story as a newsman for WWDC. That's long enough to do anything.

I admit I have not been encouraged to continue by the current state of affairs in this city. Shrewd longtime readers of the Gazette may have noted a weary cynicism (as opposed to the effervescent cynicism which no journalist should be without) creeping into the Gazette. I certainly have and, however justified, do not think it contributes much to what passes for discourse in this town. What I do not like in myself, I can not expect readers to find engaging. The truth is that while each issue of the Review has been, for me, a joy to put out, each issue of the Gazette has increasingly become just a duty.

So, with your forbearance, I am going to cease doing the latter. It has been over two decades of fun and, I hope, some usefulness. I'd like to leave it before the flavor is all drained away.

The mechanics of this change will be as follows: those wishing a pro rata share of their Gazette subscription money returned to them may certainly do so. Just send in your label on a postcard marked "refund." Otherwise, you will continue receive the Review for the balance of your subscription. Those subscribing to both the Gazette and the Review will have their Review subscriptions extended accordingly.

I'll still get involved in local issues, may write a piece here or there about DC, may even raise some hell from time to time, but frankly, dear and kind readers, I'm tired of taking the minutes.

Keep the faith,

Sam

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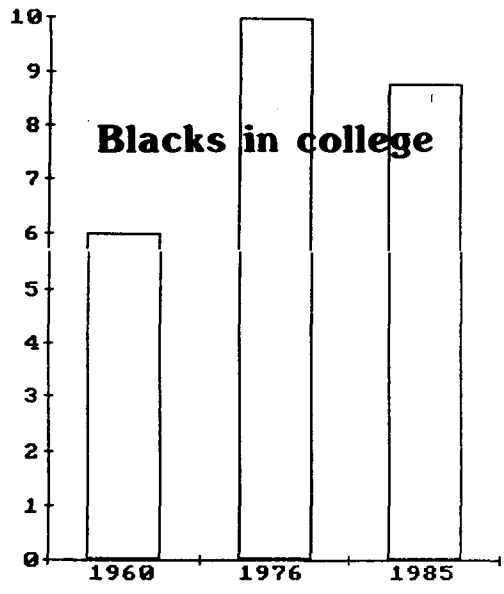

The chart above, based on information from a study by Michael Nettles and A. Robert Thoeny, shows black enrollment in higher education as a percentage of total enrollment.

for the environment and the rights of future generations, and conservation of all resources -- human and natural." The economic effect of this economy is enormous. For example, the UN's International Labor Organization, studying the role of women in the non-monetarized segment of the economy, has reported that women globally work 47 percent of all productive hours, but receive only ten percent of the world's wages and own only one percent of the property. Orio Giarini, a futurist ecoomist, claims that 80 percent of all the world's capital investment is not monetarized.

The Economy of Hidden Costs

When a business buys a new piece of equipment its cost is depreciated over a period of years. The business is saying, in effect, the real cost of this machine is $XX annually over the useful life of the machine. But there are other costs which are neither depreciated nor listed as an ordinary expense. The cost of disposing of wastes from a nuclear plant, for example, is a debit that was left out in the accounting of such operations when they were sold to the public. The same is true of most other forms of pollution. Much cost-benefit analysis for such grand urban enterprises as convention centers and stadia not only leave out various hidden social costs, but fail to depreciate the project at all. While the economy of hidden costs remains unquantified there seems little doubt that it is having a major impact on the nation after decades of pretending that these costs do not exist.

The Self-Generating Economy

Obsessed with trade policy and the role of exports and imports in the economy, we tend to underrate the potential for self-generating economies. Assuming that urban ghettos can be changed only by bringing them into the larger marketplace through such devices as urban renewal or enterprise zones, we have ignored the importance of creating self-generating economies within these communities. We forget that the problem with such communities is not the absolute lack of money, but what happens to it. As the 1960s urban activist L. D. Pratt liked to point out, there is a lot of money in the inner city; it just flows through the community as through a sewer. Since the War on Poverty, little attention has been given to devices such as community credit unions, community-owned businesses and the like, that would would stem some of this flow.

The self-generating economy is not new to America. Many of the country's early communities were largely self-sufficient. But with the concentration of industry and land ownership and technological advance, this has tended to disappear. One study of the difference in the economics of a typical Ohio farm and that of an Amish farmer in the same state, for example, reveals the striking importance of land ownership. The Amish farmer was making money on a bushel of corn while the conventional farmer was losing money. Lack of land debt, while not the only reason, was a major factor. In fact, much of what is known as a the farm crisis is not agricultural at all, but stems from the way we have permitted land ownership to be managed in this country. Many rural communities could be much more self-sustaining if they could be freed from some of the burden of land debt.

In cities, we have examples of self-generating economies although we seldom recognize them as such. The explosion of the legal profession, for example, reflects in no small part the ability of lawyers to create jobs for each other. The whole Yuppie phenomenon can be seen as a partially self-generating economy: Yuppies creating artificial needs for other Yuppies and with some selling and others buying items that fulfill these needs.

One need only have spent some time in the shopping districts of America during the recent holiday season to see the remarkable extent to which contributions to the gross

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national product can be fueled by products that are superfluous, frivolous, or self-indulgent. We can not defend these economies on utilitarian grounds; yet when discussions turn to the economies of the less fortunate, utilitarian objections are constantly raised.

Unfortunately, the ability to create self-sustaining economies is, without public planning, limited to a relatively small portion of the population. But the principles are there to use should we develop the will to do so.

The Economy of Hidden Redistribution

George McGovern took it on the chin when he suggested a conscious effort to redistribute income in the US. Of course, redistribution can occur whether you state it as a policy or not. At the time of the McGovern campaign, history was to show, America was at the end of a decades-long drift towards the poorest in the country earning a higher percentage of national income and the richest earning less. Since then, and largely without discussion, the direction of this drift has been reversed. Significantly, momentum of the reversal has increased during the Reagan years. The chart below, based on data from the Council on International and Public Affairs, shows the percentage change in percentage share of national income by various percentile groups in the US:

	1950-70	1970-86	1980-86
Lowest 20%	20	-15	-10
Lowest 40%	7	-13	-8
Middle 20%	1	-5	-4
Top 40%	-2	5	1
Top 20%	-4	7	5
Top 5%	-10	9	11

Another little discussed matter involving distribution of income is shown in the chart below, based on data from the Department of Labor. The chart indicates how the average weekly wages of American workers have declined, again largely a non-issue in the 1988 campaign.

	1978	1987	CHANGE
Av weekly earnings of US workers	$203.70	$179.43	-11.9 %

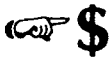
One of the forces causing these changes has been the much discussed growth of the service economy. David Dembo, director of CIPA, notes that "Since 1979, 84 percent of net job creation in the US economy has been in the lowest-paying categories of the service sector. It is hardly surprising that a growing proportion of working Americans are unable to make ends meet."

The Mini-Economy

At both the national and the local level economic policy is driven by the interests of the largest corporations. Other issues aside, such a bias is inevitably at odds with the creation of jobs. One study has shown that the Fortune Five Hundred companies are a complete wash as far as job creation is concerned, any increase largely coming from small business. In many cities, economic decisions are directed by companies that are actively seeking ways to cut employment while mayors ignore the needs of small businesses. Neither political party has a meaningful policy encouraging the development and survival of small business and one of the prices we pay for this is less employment than we might otherwise have.

The Economy of the Poor

In part because of our willingness to accept extraordinarily high levels of unemployment and in part because of the Reagan era's abdication of responsibility for those who suffer and die thanks to its economic theories, we have a growing number of people who are read out of any meaningful economy at all. Not only has serious discussion of the problems of these people been hidden, the country has done an effective job of hiding the people themselves. In fact, a child raised on nothing but the media might reasonably assume that the heart of our cities contained nothing but drug addicts and irretrievable



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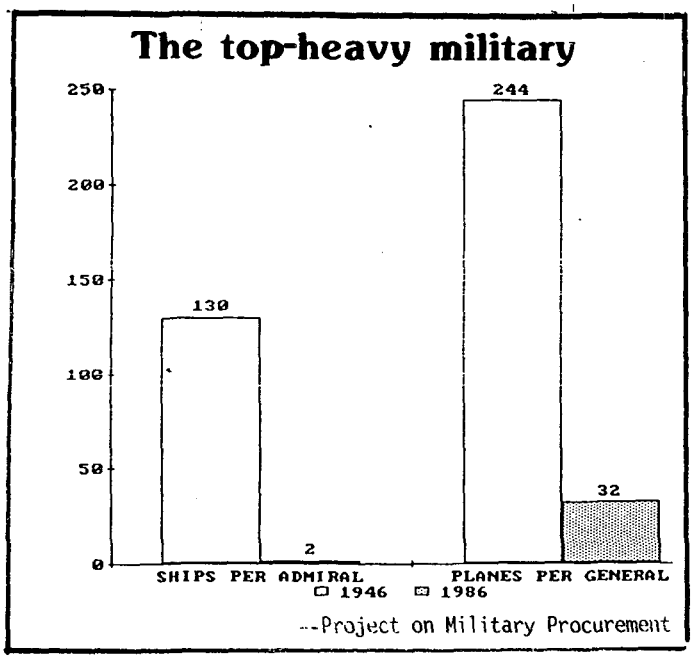

illiterates. The most striking exception to this invisibility is that of the homeless. Their unwanted intrusion upon the myth of American growth has made us uncomfortable, but even with their unavoidable presence, the presidential candidates have, for the most part, avoided coming up with a housing program, let alone programs to deal with all the other manifestations of poverty.

The Cooperative Economy

America has a long but still small cooperative tradition that survives thumbing its nose at both capitalism and socialism. There is little doubt that cooperatives can be efficient and decent ways of organizing economic activity, but politicians and the media continue to act as though the cooperative alternative does not exist, unaware as they sit on a Scan chair eating bread spread with Land O'Lakes Butter watching the Green Bay Packers that cooperativism is not as esoteric activity as they might imagine.

The Economy of Time

Perhaps your parents told you that time is money. Apparently, few politicians' parents did for the economic implications of time are seldom discussed politically. Yet not all inflation is caused by charging more for the same product. If a drug store can reduce the number of cashiers and make you wait longer to pay for your toothpaste, the price tag may be the same but the real cost to you has gone up. There are growing signs that business is using time in lieu of money by such strategems. Further, government does the same thing, witness the deterioration in of the Postal and other big business interests. Would you be willing to pay such a tax in cash to give developers the right to clog your route to town? Of course not, but then you don't pay it in cash and no one reminds us that time is money.

US News & World Report estimates that "if a worker is tied up in traffic 20 minutes each working day *** and stays on the job for 45 years, he or she will spend nearly two working years tied up in traffic." Yet because we have failed to add the economic costs of lost time, we are each driving 93% more miles than we were in 1960, wasting 1.25 billion vehicle-hours annually and 1.4 billion gallons of gas. In 1975 40% of our urban rush hour traffic was considered congested; ten years later 61% was so rated.

In one of the more remarkable analyses of the true costs of our approach to transportation, Ivan Illich computed that if you added the time you spent working to pay for your car to the time you spent driving it, walking would be faster. In any case time is money and we should start talking about it.

* * * *

This excursion through America's hidden economies, while offering no solutions, may help point the way to how we should be talking about economic problems in order to reach solutions. It has not occurred to date in the presidential campaign and it is not likely that it will. Yet without a dramatic rejection of the simplistic notions of macro-economics, without understanding that social and moral costs must be added to our accounting despite the difficulty in finding numbers to fit them, without appreciating the marvelous and varied ways that we can learn to cope with economic realities, ways that never get into a government report, we won't be able to find reasonable, just and even efficient solutions.

In the end, as Hazel Henderson says, "self interest now must be equated with the interests of the whole species: the human family on this small planet. At last morality has become pragmatic."

REVIEW INDEX

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Kirk at work
Paul Kirk, the Democratic boss who has done everything in his power to make his party as dull as possible, has struck again. He recently suggested that the party platform should avoid being "a litany of social, cultural or ideological litmus-test buzzwords" that may be a "source of comfort to narrow-issue pressure groups" but is not a "winning national platform." Apparently women are a narrow-issue pressure group. Both abortion and the ERA were on Kirk's hit list.

Maternity leave pays off
A study by the Center for the Child, the research branch of the National Council of Jewish Women, reports that materinity leave produces higher productivity. The ranked employers of 2400 pregnant women according to their policies of giving health care coverage, flexible work schedules, time off for medical appointments, maternity leave, post-birth parental leave, and child care assistance. The results showed that the higher a company's score, the fewer sick days pregnant employees took and the more willing they were to stay on their jobs further into their terms.

Nuke free zones win; other initiatives mixed
In last November's election, five nuclear free zones were approved by local initiatives. Margins ranged from 55% in San Francisco to 74% in two New Jersey towns. Only one NFZ initiative was defeated -- in Palo Alto California. The San Francisco initiative was the most far reaching. It blocks the Board of supervisors from spending any public funds in support of the Navy's plan to establish a port for the battleship *Missouri*. It also directs the supervisors to pass ordinances declaring the city a nuclear free zone, start working on economic conversion, oppose activities that generate nuclear waste and require labelling of irradiated food.

Meanwhile, yet another attempt to close down the Maine Yankee nuclear plant failed in the face of a $5 million campaign by the nuclear industry. Bottlers and their friends spent $2 million in DC to defeat a returnable bottle initiative.

On the other hand, San Francisco voters rejected a measure calling for an $80 million downtown stadium and New Jersey slapped down a $185-million bond issue for a baseball stadium in the Meadowlands. Pennsylvania approved a $100 million bond issue to help preserve farmland and Rhode Island approved a $65.2 million issue to fund local land preservation and recreation.

WEATHER REPORT

Two-thirds of Democrats Wrong?
The establishment reaction to Gary Hart's re-entry into the presidential race was predictably out of touch with that of Democratic voters. Former party chairman John White called Hart a "rogue candidate," political analyst William Schneider called him a "screw-you" candidate, and the Washington Times fairly summed up the establisment consensus: Hart was runing a "divisive, selfish campaign."

But something is amiss here. As of the end of the year, a Newsweek poll found that nearly a third of the Democratic electorate favored Hart for president. Even more strikingly, 44% favor either Hart or the other "unelectable" candidate, Jesse Jackson. In fact, less than a third of the party supported candidates who carried the establishment seal of approval. This represents nothing less than a massive vote of no confidence in the Democratic elite, which should, if it had its wits about it, stop beating up on the messengers and start listening to the message.

The voters have apparently made this important distinction and are willing to join the Hart-Jackson protest against business as usual despite the pecadillos of the candidates themselves. The media has placed obsessive importance on what it calls, with no little hypocrisy, the "character issue." The character issue, stripped to its essence is this: a president may, with media impunity lie to the American people; he may not lie to his wife. We have gone through eight years of the most rampant presidential prevarication about every major domestic and foreign matter with the perpetrator enjoying consistent media indifference. These lies were not beyond the ability of the press to uncover. To take one small example, James David Barber, writing in a recent issue of the Columbia Journalism Review, points out Reagan's verifiable lies about welfare reforms, cutting taxes and reducing government spending while governor of California. Even a former Republican state senate leader, Wiliam Bagley, said that Reagan's claims were an "absolute, total misrepresentation of the facts." But most of the media never said a mumblin' word.

This is not to say that

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Gary Hart is not a verifiable schmuck and that it is wrong to say so. But the point is that many Democratic voters are so mad at their party they no longer care. Thirteen percent have found in Jesse Jackson the one candidate speaking the truth about our national condition. Another 31% are willing to say screw you to Paul Kirk, the Democratic Leadership Council and their columnist buddies. And 23% have taken to the woods until something worth geting excited about begins to happen. Blaming these voters, excoriating them, and attempting to kill the messengers who bring their bad news will do no good.

Lappe Wins Alternative Nobel

Frances moore Lappe, author of 'Diet for a Small Planet' and director of the Institute for Food and Development Policy, was one of four individuals receiving this year's "alternative Nobel Prize" in the Swedish Parliament. The Right Livelihood Award was established by Jacob von Uexkull, who felt that the Nobel Prizes had become too specialized. He sold his stamp collection to set up the $100,000 annual awards to those "whose knowledge is healing rather than splitting the world." Lappe won the award for "revealing the political and economic causes of world hunger and showing how ordinary citizens can effectively remedy them."

• The wage gap between US men and women is shrinking but the reason is because men's wages are going down. According to Betty Parsons Dooley, director of the Women's Research and Education Institute, the change is "largely the result of the decline in high wage, male dominated manufacturing employment, rather than any real progress for women.

• CIA agents are now on the college lecture circuit. Among those taking the bait are UC at Santa Barbara, Georgetown U and University of Texas.

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